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# In the Supreme Court
OF THE
# United States

Supreme Court, U. S.
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OCTOBER TERM, 1946

## No. 164

TOMLINSON I. MOSELEY, RALPH M. KEELE and KEELMO CO. (a corporation),
*Petitioners,*

vs.

UNITED STATES APPLIANCE CORPORATION,
*Respondent.*

**PETITION FOR WRIT OF CERTIORARI**
**to the United States Circuit Court of Appeals**
**for the Ninth Circuit**
**and**
**BRIEF IN SUPPORT THEREOF.**

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## PETITION FOR WRIT OF CERTIORARI
## to the United States Circuit Court of Appeals for the Ninth Circuit.

*To the Honorable the Chief Justice and to the Honorable Associate Justices of the Supreme Court of the United States:*

Your petitioners, Tomlinson I. Moseley, Ralph M. Keele and Keelmo Co. (a corporation) respectfully pray for a Writ of Certiorari to the United States Circuit Court of Appeals for the Ninth Circuit to review a judgment of that Court entered April 23, 1946. A Petition for Rehearing was denied on May 21, 1946.

In conformity with the provisions of Rule 38 of this Court, a certified copy of the record including the proceedings in and the opinion of the Circuit Court of Appeals in this case accompanies this petition. (Opinion R. 210; Decree R. 215; Order denying petition for rehearing R. 216.)

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**SUMMARY STATEMENT OF THE MATTER INVOLVED.**

The judgment sought to be reviewed herein was rendered by the Circuit Court of Appeals for the Ninth Circuit holding that the act of licensing under a patent is itself an act of infringement and in addition refusing to reverse a judgment holding that the act of selling a patent unaccompanied by any manufacture, sale or use of the device thereof by the vendee of the patent constitutes an act of patent infringement. There is no dispute as to the facts. There is involved herein solely the following questions of patent law;

1. Is the act of granting a license under a patent in and of itself an act of patent infringement?

2. Is the transfer of title of one's own patent in and of itself an act of patent infringement?

3. Is the act of granting a license under a patent an act of contributory infringement of a third party's patent where the acts of the licensee in making, selling and using the licensed devices are legal because of invalidity of the third party's patent as to licensee?

This suit was brought by respondent against petitioners and against Beauty Shop Supply Co., Inc. for infringement of United States Letters Patent No. 1,984,585, which

was assigned to respondent by the petitioner Keele, the inventor. The device of the patent in suit relates solely to a simple rubber jacket to enclose a wound strand of hair and enable the application of stem (externally produced) thereto. Petitioner Keele subsequently invented a new chemical method of waving hair using, among other things, a simple rubber jacket somewhat similar to that of the patent in suit. It was only this jacket that was charged to infringe.

After his new invention petitioner Keele in concert with the petitioner Moseley developed the new invention to a commercial point and patented it. They disclosed the new patented invention to the Rilling-Arnao Company with a view to having the latter take a license under the patents thereon. These patents were assigned to the petitioner Keelmo Co., a corporation formed by petitioner Keele and Moseley, who owned all of the stock thereof. The corporation granted a license under said patents to the Rilling-Arnao Company, which license was the usual exclusive patent license agreement. It provided that Rilling-Arnao Company should have the exclusive rights to the inventions of the three patents (belonging to petitioner Keelmo Co.) for which it was to pay Keelmo Co. a royalty of 4% of the net selling price of the patented devices. (R. 118-119.)

There is and was no connection whatsoever between any of the petitioners and Rilling-Arnao Company (licensee) other than that of licensor and licensee. None of the petitioners had any stock or interest in the licensee, was not an officer or employee, or shared in its profits or losses, and none received any consideration from Rilling-

Arnao Company, money or otherwise, other than royalties paid to Keelmo Co. (R. 125.)

This suit was originally brought against petitioners and the Beauty Shop Supply Co., Inc., a selling agent of the Rilling-Arnao Company (licensee). After a trial, the District Court held the patent in suit non-infringed, from which judgment the respondent appealed. The Circuit Court of Appeals for the Ninth Circuit reversed the judgment of the District Court and held the patent invalid as to the Beauty Shop Supply Co., Inc. but valid as to the present petitioners. (R. 135.) The holding of validity as to petitioners was based on estoppel, the petitioner Keele having been the inventor of respondent's patent in suit. Having held the patent valid as to petitioners, the Court then proceeded to hold the accused device came within the language of the claims of respondent's patent in suit *and that the use thereof was an infringement.* (R. 64-66.)

Pursuant to the decree of the Circuit Court of Appeals, the trial Court entered its judgment in the usual form, dismissing the complaint as to Beauty Shop Supply Co., Inc., selling agent of the Rilling-Arnao Company (licensee), and referred the matter to a Master for an accounting of profits and damages resulting from the infringement by respondent.

The Master concluded that petitioners' "accountable infringement" consisted in "the Defendants contacting the Rilling-Arnao Company, turning over certain information to the Rilling-Arnao Company, and licensing the Rilling-Arnao Company to manufacture the device complained of." (R. 109.)

The District Court approved the Master's conclusion and in addition, on motion by respondent (R. 170), awarded respondent one-half of the sum of $4,000.00 received by petitioner Keelmo Co. from the sale of its patents to a third party. In the latter act the District Court not only adhered to its conclusion that the act of licensing in itself amounted to an infringing act but even extended this anomalous and unprecedented doctrine to make the sale of a patent also an act of infringement.

From this judgment by the District Court petitioners took their appeal. The Circuit Court of Appeals affirmed the decision of the District Court (R. 210) and specifically held:

> "The act of licensing Rilling-Arnao Company to manufacture and sell the infringing device was itself an act of infringement. In that act, all the appellants—Keele, Moseley and Keelmo Company—participated; for, though not named as parties to the license agreement, Keele and Moseley caused the agreement to be made. Keele, acting for himself and Moseley, commenced the negotiations which resulted in the agreement. Keele and Moseley formed Keelmo Company for the purpose of dealing with Rilling-Arnao Company. * * * Hence Keele and Moseley, as well as Keelmo Company, were liable as infringers."

Although the Circuit Court of Appeals did not specifically refer or state that the act of selling the patent unconnected with any acts of making, selling or using any devices whatsoever was an act of patent infringement, it tacitly approved the District Court's decision and judgment to that effect by refusing to overrule the same, although it was raised as error in the Circuit Court of Appeals. (R. 188.)

In holding that the act of licensing (selling a patent would be in the same category) constitutes an act of patent infringement, the Circuit Court of Appeals ignored the provisions of Sec. 4884 R. S. (U.S.C. Title 35, Sec. 40) which limits the grant of a patent to

> "a grant to the patentee, his heirs or assigns, for the term of seventeen years, of *the exclusive right to make, use and vend the invention* or discovery throughout the United States • • •."

In so holding, the Court ignored the well established law that to infringe a patent there must be a breach of the right to make, to use or to vend, and such holding is in direct conflict with the decision of this Court in *Carbice Corporation v. American Patents Development Corp.*, 283 U. S. 27, 51 S. Ct. 334, 336. It is also in direct conflict with the decisions in other circuits which have held that to infringe a patent there must be a breach of the right to make, to use or to vend. *George Close Co. v. Ideal Wrapping Mach. Co.*, 29 Fed. (2d) 533, 535 (C.C.A. 1.)

In so holding, the Circuit Court of Appeals (if it considered the act one of contributory infringement) ignored the well established doctrine of contributory infringement that before there can be a contributory infringement there must be a complete and direct infringement to which to contribute. In this case there was no such direct infringement in that (by the Circuit Court of Appeals' own holding), the patent in suit was invalid to all the world except these petitioners. (R. 135.)

For the reason that the questions involved herein cannot again arise in this matter between these petitioners and this respondent, conflict between Circuit Courts of Appeals on the matter is impossible.

**JURISDICTION.**

Under Sec. 240 (a) of the Judicial Code as amended by the Act of February 13, 1925 (28 U.S.C.A. Sec. 347 (a)), this Court has jurisdiction to review the judgment of the Circuit Court of Appeals herein. Judicial Code Sec. 41 (7) gives the District Courts of the United States original jurisdiction "of all suits at law or in equity arising under the patent, the copyright, and the trademark laws." The instant case is a suit to enjoin infringement of United States Letters Patent No. 1,984,585. The Circuit Court of Appeals had jurisdiction of petitioners' appeal (Judicial Code Sec. 129) from the decree of the District Court.

The judgment of the Circuit Court of Appeals for the Ninth Circuit was entered April 23, 1946. The Petition for Rehearing was filed within thirty (30) days thereafter, and such petition was denied on May 21, 1946 (R. 216), and this petition is filed within three (3) months thereafter (28 U.S.C.A. 350; R.S. Sec. 1008 as amended, Sec. 6, Act of September 6, 1916, 39 Stat. 727).

The discretionary power of this Court to grant a Writ of Certiorari is invoked upon the ground set forth in Rule 38, subdivision 5 (b) of this Court, in that the Circuit Court of Appeals for the Ninth Circuit has decided an important question of Federal Law which has not been, but should be, settled by this Court; and has decided a Federal question in a way probably in conflict with applicable decisions of this Court, to-wit, deciding that an act of granting a license under a patent without any participation in the act of making, selling or using a patented device under such license constitutes an act of infringement, which decision is in conflict with the decisions in *Carbice*

*Corporation v. American Patents Development Corp.*, 283 U.S. 27, 51 S. Ct. 334, 336, and *Mercoid Corporation v. Mid-Continent Inv. Co.*, 320 U. S. 661, 64 S. Ct. 268, 274.

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**QUESTIONS PRESENTED.**

The decree of the Ninth Circuit Court of Appeals raises three questions of law.

(1) Does the mere act of granting a license under patents owned by licensor without any participation in the manufacture, use or sale of devices manufactured by the licensee in itself constitute an act of patent infringement by the licensor of a patent owned by a third party such as to make such licensor liable in damages for the royalty it has received from such licensee in view of Sec. 4884 R. S. (U.S.C. Title 35, Sec. 40) and the decisions of this Court in *Carbice Corporation v. American Patents Development Corp.*, 283 U. S. 27, 51 S. Ct. 334, 336, and *Mercoid Corporation v. Mid-Continent Inv. Co.*, 320 U. S. 661, 64 S. Ct. 268, 274?

(2) Does the act of disclosing to a prospective licensee a model or models of an invention and then subsequently granting a license under patents owned by licensor without any participation by licensor in the manufacture, use or sale of the devices by the licensee constitute an act of infringement of a patent owned by a third party such as to make such licensor liable in damages for any portion of the royalties it has received from such licensee, particularly in view of the fact that by judicial decision the patent of said third party is invalid as to such licensee, making its acts legal?

(3) Does the sole act of selling one's own patent to another in and of itself constitute an act of patent infringement so as to make the vendor thereof liable to a third party patent owner and entitle the latter to a portion of the sales price received by the vendor where the vendee does not manufacture, sell or use any devices whatsoever?

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**REASONS RELIED UPON FOR THE ALLOWANCE OF THE WRIT OF CERTIORARI.**

The discretionary power of the Court is invoked upon the following grounds:

(1) That issues of great moment to the public are involved in that by deciding that the mere act of licensing under a patent and the act of selling a patent in and of themselves constitute acts of infringement, the Circuit Court of Appeals for the Ninth Circuit has enlarged the monopoly created by a patent beyond that provided for by Sec. 4884 R. S. (U. S. C. Title 35, Sec. 40), and applicable decisions of this Court in that it confers rights upon a patent owner to exclude others from acts in addition to the acts of making, selling and using the patented invention.

(2) That the public's interest in the extension of the patent monopoly should be considered is evident from this Court's decisions in *Precision Instrument Mfg. Co. v. Automotive M. Machine Co.*, 324 U. S. 806; *United Carbon Co. v. Binney & Smith Co.*, 317 U. S. 228, 233; *Muncie Gear Works v. Outboard M. & Mfg. Co.*, 315 U. S. 759, 786.

(3) That the Circuit Court of Appeals for the Ninth Circuit has decided an important question of Federal law

which has not been directly, but should be, settled by this Court.

(4) That the Circuit Court of Appeals for the Ninth Circuit in holding that acts other than acts of participation in the acts of making, using and selling a patented device constitute acts of patent infringement, has rendered a decision probably in conflict with the decision of this Court in *Carbice Corporation v. American Patents Development Corp.*, 283 U. S. 27, 51 S. Ct. 334, 336, and *Mercoid Corporation v. Mid-Continent Inv. Co.*, 320 U. S. 661, 64 S. Ct. 268, 274.

For these reasons it is respectfully submitted that this petition should be granted.

Dated, San Francisco, California,
June 3, 1946.

Respectfully submitted,
WALTER SLACK,
*Attorney for Petitioners.*

OSCAR ALVIN MELLIN,
LEROY HANSCOM,
*Of Counsel.*

CERTIFICATE OF COUNSEL.

WALTER SLACK says that he is the attorney for the petitioners herein; that he knows the contents of the foregoing petition and that the allegations thereof are true as he verily believes; and that the said petition is well founded and not interposed for delay.

WALTER SLACK.

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No.

TOMLINSON I. MOSELEY, RALPH M. KEELE and KEELMO CO. (a corporation),
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*Respondent.*

## BRIEF OF PETITIONERS IN SUPPORT OF PETITION FOR WRIT OF CERTIORARI.

### OPINION OF THE COURT BELOW.

The opinion of the Circuit Court of Appeals for the Ninth Circuit is found in (R. 210.) The District Court made no Findings of Fact and Conclusions of Law as such but adopted its Order (R. 166) (approving the Master's report) as Findings of Fact and Conclusion of Law in conformity with Rule 52 and the Federal Rules of Civil Procedure.

## JURISDICTION.

The grounds for jurisdiction are:

(1) The date of the judgment sought to be reviewed is April 23, 1946 (R. 215.) The Petition for Rehearing upon which review was sought was denied May 21, 1946 (R. 216), and this petition is filed within three (3) months thereafter (28 U. S. C. A. 350; R. S. Sec. 1008 as amended, Sec. 6, Act of September 6, 1916, 39 Stat. 727).

(2) The decree was rendered in a suit brought under the patent statutes of the United States to determine the issues of validity and infringement of Letters Patent issued by virtue of R. S. No. 4886, U. S. C. Title 35, Sec. 31.

(3) The statute under which jurisdiction of this Court is invoked is Section 240 (a) of the Judicial Code; 28 U. S. C. A., Sec. 347 as amended by the Act of February 13, 1925.

(4) The discretionary power of this Court to grant a Writ of Certiorari is invoked upon the grounds set forth in Rule 38, subdisivion 5 (b) of the rules of this Court, in that the Circuit Court of Appeals for the Ninth Circuit has decided an important question of Federal law which has not been, but should be, settled by this Court, and has decided a Federal question in a way probably in conflict with the applicable decisions of this Court, particularly the decisions in *Carbice Corporation v. American Patents Development Corp.*, 283 U. S. 27, 51 S. Ct. 334, 336, and *Mercoid Corporation v. Mid-Continent Inv. Co.*, 320 U. S. 661, 64 S. Ct. 268, 274.

## STATEMENT.

The facts are sufficiently stated in the petition under the title "Summary Statement of the Matter Involved."

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## STATUTES.

The statute involved in this case and which is necessary to be considered is as follows:

Sec. 4884 R. S. (U. S. C. Title 35, Sec. 40). "Every patent shall contain a short title or description of the invention or discovery, correctly indicating its nature and design, and a grant to the patentee, his heirs and assigns, for the term of seventeen years, of the exclusive right to make, use, and vend the invention or discovery (including in the case of a plant patent the exclusive right to asexually reproduce the plant) throughout the United States and the territories thereof, referring to the specifications for the particulars thereof. A copy of the specification and drawings shall be annexed to the patent and be a part thereof."

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## SPECIFICATION OF ERRORS.

The errors which petitioners will urge if the Writ of Certiorari is allowed, are that the Circuit Court of Appeals for the Ninth Circuit erred:

(1) in holding that the act of granting a license under a patent is itself an act of patent infringement;

(2) in failing to reverse the judgment of the District Court in holding that the disclosure of a new invention

to a prospective licensee and then granting a license under patents on said invention constitutes an act of patent infringement;

(3) in failing to hold that an act of licensing under a patent does not constitute an act of patent infringement under the law established by the decisions of this Court in *Carbice Corporation v. American Patents Development Corp.*, 283 U. S. 27, 51 S. Ct. 334, 336, and *Mercoid Corporation v. Mid-Continent Inv. Co.*, 320 U. S. 661, 64 S. Ct. 268, 274, in that an infringement, whether direct or contributory, is essentially a tort, and implies the invasion of some right of the patentee, which rights of the patentee are limited to the rights of excluding others from manufacturing, selling or using a device coming within the scope of a claim of the patent in suit;

(4) in failing to hold that the act of selling a patent where the vendee of the patent does not manufacture or use or sell anything disclosed in the patent is not an act of patent infringement.

---

## SUMMARY OF ARGUMENT.

The only violation of the monopoly created by the patent statutes is the unauthorized making, using or selling a device covered by the patent. Consequently, the bare act of granting a license under a subsequent patent without any participation in any act of making, using or vending cannot constitute an act of infringement. This is particularly true in that a patent confers no right to make, use or vend and therefore the licensor can confer no right to make, use and vend upon a licensee, and such

negative act of licensing cannot be considered a violation of a patentee's exclusive right to make, use and vend.

The Circuit Court of Appeals for the Ninth Circuit in holding that the act of licensing is itself an act of infringement ignored the statutory limitation on the grant of patents and the fundamental law as laid down by this Court and followed by other Circuit Courts of Appeals. Also, in so doing, the Circuit Court of Appeals in the instant case expanded the metes and bounds of the grant of the patent to include, in addition to acts of making, using and selling, the negative act of granting a license under a patent.

The questions involved here are of paramount public interest because the boundaries of the patent monopoly are concerned and if the decision of the Circuit Court of Appeals for the Ninth Circuit is permitted to stand, new legal precedent will be created, creating new rights and remedies for the benefit of patentees, and imposing new restrictions on the public in that it will impose new obligations on licensors and assignors and it will expand the hitherto well defined limits as to what constitutes the tort of patent infringement.

## ARGUMENT.

### I. THE ONLY VIOLATION OF THE EXCLUSIVE RIGHT OR MONOPOLY CREATED BY THE PATENT STATUTES AND CONFERRED UPON A PATENTEE IS THE UNAUTHORIZED MAKING, USING OR SELLING A DEVICE OR PROCESS COVERED BY A VALID CLAIM OF A PATENT DURING THE LIFE THEREOF.

As has been held many times, infringement is the unauthorized making, using or selling a device or process covered by a valid claim of a patent during the life thereof. It is a violation of the exclusive right or monopoly created by statute Sec. 4884 R. S. (U. S. C. Title 35, Sec. 40) and conferred upon a patentee. Obviously, there can be no infringement unless one of the acts of making, using or selling has been committed or participated in by the one charged to infringe.

This Court described infringement in the following language:

> "Infringement, whether direct or contributory, is essentially a tort, and implies invasion of some right of the patentee."
>
> *Carbice Corporation v. American Patents Development Corp.*, 283 U. S. 27, 51 S. Ct. 334, 336.

In the Circuit Court of Appeals for the First Circuit infringement was stated as follows:

> "To infringe a patent, there must be a breach of the right to make, to use or to vend."
>
> *George Close Co. v. Ideal Wrapping Mach. Co.*, 29 Fed. (2d) 533, 535 (C. C. A. 1).

Also, this Court in the case of *Mercoid Corporation v. Mid-Continent Inv. Co.*, 320 U. S. 661, 64 S. Ct. 268, 274, held that an act which in itself was legal could not be

construed as an act of contributory infringement of a patent.

Clearly, therefore, the Circuit Court of Appeals for the Ninth Circuit in holding (R. 213) "The act of licensing Rilling-Arnao Company to manufacture and sell the infringing device was itself an act of infringment" ignored the statutory limitation on the grant of patents and the fundamental law as laid down by this Court and followed by other Circuit Courts of Appeals as in the cases referred to. In so doing, the Circuit Court of Appeals in the instant case expanded and enlarged the metes and bounds of the grant of a patent to include in addition to acts of making, using and selling, the negative act of granting a license under a patent (which in effect is only a grant of immunity from suit under that patent).

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**II. THE GRANTING OF A LICENSE, WHETHER EXCLUSIVE OR NON-EXCLUSIVE, CONFERS NO RIGHTS UPON THE LICENSEE OTHER THAN A PROMISE ON BEHALF OF THE LICENSOR THAT IT WILL NOT SUE ITS LICENSEE FOR INFRINGEMENT BECAUSE OF ITS OWNERSHIP OF LICENSED PATENTS. THIS IS A MERE NEGATIVE OR PASSIVE ACT AND CANNOT IN ANY SENSE BE CONSIDERED AN ACT OF MAKING, USING OR SELLING AND CONSEQUENTLY CANNOT BE CONSIDERED AN ACT OF INFRINGEMENT.**

The patentee's right to make, use and sell his invention is not derived from the patent statutes. The only right conferred by the patent grant is the negative right to exclude others from making, using or vending the devices or processes embodying the invention of the patent.

In a very early case this Court said:

> "The franchise which the patent grants, consists altogether in the right to exclude everyone from making, using, or vending the thing patented, without the permission of the patentee. This is all that he obtains by the patent."
>
> *Bloomer v. McQuewan*, 14 How. 539, 548, 14 L. Ed. 532.

This doctrine was reaffimed by this Court in the case of *United Shoe Machinery Corporation v. United States*, 258 U. S. 451, 463, 42 S. Ct. 363, 367. In the latter case this Court said:

> "From an early day it has been held by this Court that the franchise secured by a patent consists only in the right to exclude others from making, using, or vending the thing patented without the permission of the patentee. Bloomer v. McQuewan, 14 How. 539. This definition of the rights of the patentee has been the subject of frequent recent decisions of this Court, and has been approved and applied in Bauer v. O'Donnell, 229 U. S. 1; Straus v. Victor Talking Machine Co., 243 U. S. 490; Motion Picture Patents Co. v. Universal Film Manufacturing Co., 243 U. S. 502; Boston Store v. American Graphophone Co., 246 U. S. 8."

Thus, it is clear that the petitioner Keelmo Co. as the owner of the three patents licensed to Rilling-Arnao Company (licensee) did not obtain the right to manufacture, use or sell the patented device by virtue of its ownership in such patents. Not having obtained such right from its patents, it could not grant the right to manufacture such device by means of a license under such patents. The

most that it could and did grant by the act of licensing was its permission to the licensee to use the inventions claimed in such patents with immunity from suit under such patents.

Therefore, we contend that the direct decision of the Circuit Court holding that the act of licensing constituted an act of infringement, and the tacit refusal of that Court to overrule the District Court's holding that the act of transferring legal title to a patent constituted an act of infringement are in conflict with the above decisions of this Court.

It is clear from the record that the Circuit Court intended that its above holding be literally construed and not in any way connected with the subsequent acts of Rilling-Arnao Company (licensee) in making, using and selling the device. This is because it is an agreed fact that there is and was no connection whatsoever between any of the petitioners and the licensee (Rilling-Arnao Company) other than that of licensor and licensee. None of the petitioners had any stock or interest in that company, was not an officer or employee, or shared in its profits or losses, and none received any consideration from it, money or otherwise, other than the royalties paid to petitioner Keelmo Co. (R. 125). In addition to this the acts of the licensee (Rilling-Arnao Company) were in themselves legal and did not constitute an infringement of the patent in suit. This is because the Circuit Court of Appeals for the Ninth Circuit in its prior decision (R. 135) held that the patent was totally invalid for want of invention except as to these particular petitioners. Consequently, the patent being invalid as to the licensee (Rill-

ing-Arnao Company) (the Court directly held that it was invalid as to the selling agent of Rilling-Arnao Company, to-wit, Beauty Shop Supply Co., Inc.), the licensee (Rilling-Arnao Company) in making, using and selling the devices committed no act of patent infringement. Consequently, there was no tort or complete infringement to which these petitioners could contribute by the act of licensing their patent. In the act of selling the patent, there is nothing in the record which even intimates that the vendee of the patent ever made, used or sold any devices whatsoever or committed any other acts of infringement of the patent in suit.

Therefore, it is manifestly clear that the Circuit Court of Appeals for the Ninth Circuit in holding "The act of licensing Rilling-Arnao Company to manufacture and sell the infringing device was itself an act of infringement" ignored the limitations of the patent grant as set forth in Sec. 4884 R. S. (U. S. C. Title 35, Sec. 40) and the doctrine of the case of *Carbice Corporation v. American Patents Development Corp.*, 283 U. S. 27, 51 S. Ct. 334, 336.

Further, by its tacit refusal to overrule the District Court's holding that a sale of a patent constitutes an act of infringement, it likewise ignored the limitation of the patent grant and the prior fundamental law as to what constitutes an act of infringement.

It is also manifest that in so holding, the Circuit Court of Appeals for the Ninth Circuit by judicial legislation expanded the grant to patentees conferred by Sec. 4884 R. S. (U. S. C. Title 35, Sec. 40) by enabling patentees to exclude subsequent inventors from granting licenses under or selling patents upon subsequent inventions.

**III. THE ACT OF GRANTING A LICENSE UNDER A PATENT OR THE ACT OF SELLING A PATENT WITHOUT ANY PARTICIPATION OR COOPERATION IN THE MANUFACTURE OF THE INFRINGING DEVICES DOES NOT CONSTITUTE AN ACT OF CONTRIBUTORY INFRINGEMENT.**

In that we have shown that the act of licensing in and of itself is legal and the act of the licensee in manufacturing, selling and using the devices was legal in that the patent was invalid as to such licensee, there was no infringement to which to contribute. This Court in *Mercoid Corporation v. Mid-Continent Inv. Co.*, 320 U. S. 661, 64 S. Ct. 268, held that an act which in itself was a legal act could not be construed as an act of contributory infringement.

It has heretofore been the uniform rule that there can be no contributory infringement without an infringement to contribute to, or, in other words, without actual, direct, and complete infringement, existing or threatened in the territory covered by the patent. *Cincinnati Galvanizing Co. v. Marquette Tool and Mfg. Co.*, 26 Fed. (2d) 593, 594 (C. C. A. 7); *Bullock Elec. Co. v. Westinghouse*, 129 Fed. 105 (C. C. A. 6).

Therefore, the decision of the Circuit Court of Appeals for the Ninth Circuit, which holds that regardless of whether there is any act of direct infringement, that the act of licensing and the act of selling a patent can constitute an infringement (and it is not clear whether the Circuit Court of Appeals for the Ninth Circuit intended to mean contributory infringement), departs from the uniform rule of the various circuits, and we, therefore, respectfully urge that this Court exercise its discretionary powers to settle the question in the interest of uniformity.

## CONCLUSION.

Certainly, the questions here presented are of paramount public interest because if the decision of the Circuit Court of Appeals for the Ninth Circuit holding that an act of granting a license and its tacit approval of the ruling that an act of selling a patent constitutes an act of patent infringement are permitted to stand, such decision will thereby broaden the scope of patent monopoly and opens new avenues for patentees to pursue in seek of revenue. In so holding, the Circuit Court of Appeals for the Ninth Circuit established new legal precedent creating new rights and remedies for the benefit of patentees, imposing new obligations on licensors and assignors and expanding the hitherto well defined limits as to what constitutes the tort of patent infringement.

This Court has previously recognized that questions of patent law concerning the breadth and scope of patent monopoly are questions of great moment to the public generally. *Precision Instrument Mfg. Co. v. Automotive M. Machine Co.*, 324 U. S. 806; *United Carbon Co. v. Binney & Smith Co.*, 317 U. S. 228, 233; *Muncie Gear Works v. Outboard M. & Mfg. Co.*, 315 U. S. 759, 786.

Therefore, your petitioners respectfully submit that the questions of law involved are of great importance and should be determined by this Court.

Dated, San Francisco, California,
June 3, 1946.

Respectfully submitted,
WALTER SLACK,
*Attorney for Petitioners.*

OSCAR ALVIN MELLIN,
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CHARLES ELMORE CROPLEY
CLERK

# In the Supreme Court
OF THE
# United States

OCTOBER TERM, 1946

No. 164

TOMLINSON I. MOSELEY, RALPH M. KEELE and KEELMO CO. (a corporation),
*Petitioners,*

vs.

UNITED STATES APPLIANCE CORPORATION,
*Respondent.*

## BRIEF FOR RESPONDENT IN OPPOSITION TO PETITION FOR WRIT OF CERTIORARI.

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UNITED STATES APPLIANCE CORPORATION,
*Respondent.*

## BRIEF FOR RESPONDENT IN OPPOSITION TO PETITION FOR WRIT OF CERTIORARI.

Respondent opposes the granting of the Petition for Writ of Certiorari, and submits that the Petition fails to set forth circumstances or facts warranting a review by this Court.

### 1. QUESTIONS PRESENTED BY PETITIONERS IN THE PETITION FOR WRIT OF CERTIORARI.

The Petitioners have sought to analyse the judgment of the Circuit Court of Appeals and have presented two sets of questions which they deem must be answered. Unfortunately the two sets of questions are not identical and bear separate analysis.

On Page 2 of the Petition we find that "There is involved herein solely the following questions of patent law:

> 1. Is the act of granting a license under a patent in and of itself an act of patent infringement?
>
> Is the transfer of title of one's own patent *in and of itself** an act of patent infringement?
>
> 3. Is the act of granting a license under a patent an act of contributory infringement of a third party's patent where the acts of the licensee in making and selling and using the licensed devices are legal *because of invalidity of the third party's patent as to licensee?*

On Page 8 of the Petition we however find the statement that "The decree of the Ninth Circuit Court of Appeals raises three questions of law", as follows:

> 1. Does the mere act of granting a license under patents owned by licensor without any participation in the manufacture, use of sale of devices manufactured by the licensee in itself constitute an act of patent infringement by the

*Emphasis ours unless otherwise noted.

licensor of a patent owned by a third party such as to make such licensor liable in damages for the royalty it has received from such licensee in view of Sec. 4884 R. S. (U.S.C. Title 35, Sec. 40) and the decisions of this Court in *Carbice Corporation v. American Patents Development Corp.*, 283 U. S. 27, 51 S. Ct. 334, 336, and *Mercoid Corporation v. Mid-Continent Inv. Co.*, 320 U. S. 661, 64 S. Ct. 268, 274?

2. Does the act of disclosing to a prospective licensee a model or models of an invention and then subsequently granting a license under patents owned by licensor without any participation by licensor in the manufacture, use or sale of the devices by the licensee constitute an act of infringement of a patent owned by a third party such as to make such licensor liable in damages for any portion of the royalties it has received from such licensee, particularly in view of the fact *that by judicial decision the patent of said third party is invalid as to such licensee, making its acts legal?*

3. Does the *sole* act of selling one's own patent to another *in and of itself* constitute an act of patent infringement so as to make the vendor thereof liable to a third party patent owner and entitle the latter to a portion of the sales price received by the vendor where the vendee does not manufacture, sell or use any devices whatsoever?

**2. ANALYSIS OF QUESTIONS PRESENTED BY PETITIONERS.**

It is believed that several of the above questions are not properly involved herein and therefore these shall be first discussed and disposed of:

**A. Question Relating to Transfer of a Patent.**

The questions:

> "Is the transfer of title of one's own patent *in and of itself an act of* patent infringement?"

and

> "Does the *sole* act of selling one's own patent to another *in and of itself* constitute an act of patent infringement so as to make the vendor thereof liable to a third party patent owner and entitle the latter to a portion of the sales price received by the vendor when the vendor does not manufacture, sell or use any devices whatsoever."

may, it is submitted, be discussed together.

There is no finding, or decision or other holding in this case that "the transfer of title of one's own patent *in and of itself*" is "an act of patent infringement."

The Order of Court dated May 4, 1944 (R. 166) was amended, pursuant to a Motion to Amend (R. 170) to hold:

> "12. That a further accounting of the profits of the Keelmo Co. be made of which the Plaintiff is entitled to an award of one-half of the royalties received after October 31, 1942 from the Rilling-Arnao Company and *one-half of the sum of four thousand dollars constituting the sale price received by the Keelmo Co. from Earl S. Douglass*

*for the sale and transfer of the entire right, title and interest in and to the Keelmo patents and the license agreement with the Rilling-Arnao Company thereunder,* after certain allowable deductions including * * *"

Pursuant to said Order of Court dated May 4, 1944, as amended, the District Court made a further accounting of the profits of the Keelmo Co. as follows (R. 176):

1. "That from November 1, 1942 to the date hereof, the defendant Keelmo Co. received royalties in the amount of $4,964.82 and the *sum of $4,000 for the sale of a license agreement between said Keelmo Co. and the Rilling-Arnao Company and the patents specified therein,* both of which constitute accountable profits of the Keelmo Co."

In its opinion rendered April 23, 1946 (R. 209-215) the Circuit Court of Appeals did not mention the foregoing specific findings. However the Circuit Court of Appeals did affirm the lower court's judgment and, it must be assumed, did thereby affirm the foregoing findings. It should be noted that there was never at any time a transfer of the Petitioners' patents by themselves *but that they were only transferred together with the license agreement to which they related.* In awarding the Respondent a portion of the sale price received for the *license and patents* the Court was merely following the law in granting to the Respondent, as profits a portion of all of the money which flowed to Petitioners from their acts of patent infringement as determined by the Court. It is respectfully submitted that money received from

the sale of the license agreement is as much a profit derived therefrom as were royalties paid pursuant thereto.

In addition, it will be noted that in the second of the questions now being discussed, the Petitioners qualify the same by reciting that

> "the vendee does not manufacture, sell or use any devices whatsoever".

It is respectfully submitted that there is no question involved herein as to the acts of the vendee (Earl S. Douglass) referred to and there is no evidence in the Transcript of Record presented to this Court which states what said vendee may or may not do. The only evidence which was ever submitted on this point was the testimony of said vendee, which is not a part of the Transcript of Record, and which Respondent feels was not conclusive as to what act or acts said vendee might commit. In view of the fact the question presupposes a fact not in the Transcript Record, it is respectfully submitted that the question is improperly presented to this Court.

Therefore Respondent urges that the above quoted questions raised by Petitioners relating to the "sole act of selling one's own patent *in and of itself*" are not properly before the Court and need not and should not be considered.

**B. Question Relating to Contributory Infringement.**

The Petitioners further ask:

> "Is the act of granting a license under a patent an act of contributory infringement of a third

> party's patent where the acts of the licensee in making, selling and using the licensed devices are legal because of invalidity of the third party's patent as to licensee?"

There is no holding at any point in the case that the act of granting a license under a patent is "an act of contributory infringement of a third party's patent where *the acts of the licensee in making, selling and using the licensed devices are legal because of invalidity of the third party's patent as to licensee.*"

In the first place, the phrase "contributory infringement" is nowhere to be found either in the Findings or Conclusions of the District Court nor in the Opinion of the Circuit Court of Appeals. The question of "contributory infringement" is one entirely of the Petitioner's own making.

In addition thereto the Petitioners base their question upon the "invalidity of the third party's patent as to licensee." It is respectfully submitted that there is no finding anywhere in this case that the patent is invalid as to the licensee, Rilling-Arnao Company. That matter has *never* been adjudicated and at best, Petitioners' statements relating thereto are merely the opinion of Petitioners' counsel.

In addition, we respectfully point out to this Court that in both this question and the question Respondent next discusses, the Petitioners raise in their own defense the matter

> "of invalidity of the third party's (respondent's) patent as to licensee"

and state:

> "that by judicial decision the patent of said third party (respondent) is invalid as to such licensee".

In the first place, Petitioners are estopped to deny the validity of the patent in suit. This was determined by the Circuit Court of Appeals in its opinion in United States Appliance Corporation v. Beauty Shop Supply Co. Inc., et al., 121 Fed. (2d) 149 (R. 135). (Certiorari denied by this Court, October Term, 1941, No. 632).

This being the case Petitioners cannot inject the question of invalidity into the case and seek to hide behind such a defense, even assuming it might be available to others.

Furthermore the premise is entirely without foundation. There is no holding "by judicial decision" or otherwise that Respondent's patent in suit is invalid "as to licensee", Rilling-Arnao Company. The Circuit Court of Appeals determined that the patent was invalid as to Beauty Shop Supply Co. Inc. but made no finding as to the licensee (Rilling-Arnao Company) nor could the Court do so, inasmuch as Rilling-Arnao Company was not a party to the suit. The Petitioners are apparently trying to stretch the finding of the court with respect to Beauty Shop Supply Co. Inc. to cover Rilling-Arnao Company through some far fetched theory of agency between the two. For example, on Page 4 of the Petition, they twice refer to:

> "the Beauty Shop Supply Co. Inc., a selling agent of Rilling-Arnao Company (licensee)"

This attempt is ridiculous inasmuch as in the earlier opinion of the Circuit Court of Appeals we find the Court stating (R. 140):

> "In support of its contention that this company (Beauty Shop Supply Co. Inc.) is the agent of the Rilling-Arnao Company Plaintiff points to a contract between these companies as set forth in the record; but that contract fails to disclose any provision for an agency. In the absence of other evidence sufficient to establish such relationship it must be held that the defendant Beauty Shop Company, Inc., acted independently as a purchaser from the Rilling-Arnao Company and is not estopped from disputing the validity of plaintiff's patent by reason of its dealings with that company."

It is well settled that a decision of invalidity in a patent infringement suit does not establish invalidity as "to all the world" (Petition, page 6) or to anyone other than the parties to the suit. Since there is no judicial decision that the patent is invalid as to the Rilling-Arnao Company (licensee) the patent owner, Respondent, may at this time sue the Rilling-Arnao Company for patent infringement and the Rilling-Arnao Company must present a case of invalidity and may not rely upon any of the record herein as being res adjudicata. While the opinion of the Circuit Court of Appeals holding the patent invalid as to the Beauty Shop Supply Co., Inc., would be persuasive upon any other Court it would not determine the issue of invalidity.

Since:

1. the licensee (Rilling-Arnao Company) was not a party to the suit and

2. there was no agency relationship between it and Beauty Shop Supply Co., Inc., and

3. the decision of invalidity can in no way be found to relate to licensee (Rilling-Arno Company) and

4. Petitioners cannot enjoy the benefit of a holding of invalidity since they are estopped to deny the same or raise the question,

it is respectfully submitted that Petitioners' questions which involve the validity of the patent as to licensee are not well taken and are not properly before this Court for its consideration.

Furthermore, the specific question Respondent is discussing here is improperly presented because it raises the matter of "contributory infringement" which, aside from this question, can nowhere be found in any prior finding, conclusion, judgment or opinion in this case and therefore may not be raised.

**C. Question Involving the Invalidity of the Patent.**

The Petitioners next ask:

"Does the act of disclosing to a prospective licensee a model or models of an invention and then subsequently granting a license under patents owned by licensor without any participation by licensor in the manufacture, use or sale of the devices by the licensee constitute an act of infringement of a patent owned by a third party

such as to make such licensor liable in damages for any portion of the royalties it has received from such licensee, particularly in view of the fact that *by judicial decision the patent of said third party is invalid as to such licensee, making its acts legal?"*

As has been pointed out, this question involves the premise that *"by judicial decision"* the patent of said third party is invalid, as to such licensee. As has been pointed out the premise is false and therefore the question is improper.

**D. The Other Questions.**

In its other aspects the immediately preceding question may be discussed in conjunction with the Petitioners' following two queries:

"Does the mere act of granting a license under patents owned by licensor without any participation in the manufacture, use or sale of devices manufactured by the licensee in itself constitute an act of patent infringement by the licensor of a patent owned by a third party such as to make such licensor liable in damages for the royalty it has received from such licensee in view of Sec. 4884 R. S. (U.S.C. Title 35, Sec. 40) and the decisions of this Court in Carbice Corporation v. American Patents Development Corp., 283 U. S. 27, 51 S. Ct. 334, 336, and Mercoid Corporation v. Mid-Continent Inv. Co., 320 U. S. 661, 64 S. Ct. 268, 274?"

and

"Is the act of granting a license under a patent in and of itself an act of patent infringement?"

The proper consideration of these questions requires a study of the opinion of the Circuit Court of Appeals; the Judgment of the District Court which was affirmed and the findings upon which the Judgment was based; and the facts of the case as they are found in the Transcript of Record. We shall discuss these in reverse order.

1. **The Facts of the Case.**

Substantially all of the facts of this case were placed before the Court in the Petition for Writ of Certiorari and Transcript of Record presented by the same Petitioners in *Tomlinson I. Moseley et al. v. United States Appliance Corporation,* October Term 1941, No. 632.

Respondent's patent was issued on December 18, 1934. The Petitioner Keele made a device (hereinafter called the infringing device) and on December 13, 1935, the Petitioners Keele and Moseley agreed that Keele should "convey" to Moseley a one-half interest in the claimed invention (the infringing device) and should apply for a patent therefor, that Moseley should "finance" the patenting thereof, and that all profits derived therefrom should be divided equally between them. Pursuant to this agreement, Keele assigned to Moseley a one-half interest in the claimed invention (the infringing device) and applied for a patent thereon.

About the middle of 1936, Petitioner Keele, acting for himself and Moseley, had an interview with the president of the Rilling-Arnao Company, the licensee

heretofore referred to, showed the officer the infringing device, showed him how it worked, and told him that he, the Petitioner Keele, had invented the same. Thereby, Keele sought to and did, interest the Rilling-Arnao Company in obtaining a license to manufacture and sell the infringing device.

Subsequently, on October 22, 1936, Keele and Moseley formed the Petitioner Keelmo Co., a California corporation. Keelmo Co. was dominated and controlled by the Petitioners Keele and Moseley. They owned all the stock. They and their attorney were its directors. Moseley was its president, Keele its vice-president. On November 29, 1936, the Petitioners Keele and Moseley assigned to the Petitioner Keelmo Co. all their "right, title and interest in, to and under" the claimed invention (the infringing device) and any patent which might be issued therefor. Subsequently a patent for the infringing device was issued to Keele, as assignor to the Petitioner Keelmo Co., on January 16, 1940.

On February 25, 1937, the Petitioner Keelmo Co. and Rilling-Arnao Company (licensee) made an agreement whereby Keelmo Co. licensed Rilling-Arnao Company to manufacture and sell the infringing device. In consideration thereof, the Rilling-Arnao Company paid the Keelmo Co. $2500 and agreed to pay it specified royalties thereafter. Pursuant to the agreement the Rilling-Arnao Company manufactured and sold the infringing device and paid the Keelmo Co. substantial royalties. Subsequently the Keelmo Co. sold the "license agreement between said Keelmo Co.

and the Rilling-Arnao Company and the patents specified therein," said patent being the patent for the infringing device.

The District Court summarized all of the foregoing and found (R. 167):

> "That the Defendants' accountable infringement complained of consists of Defendants contacting the Rilling-Arnao Company, turning over certain information to the Rilling-Arnao Company, and licensing the Rilling-Arnao Company to manufacture the device complained of."

**This brief analysis reveals that the Keelmo Co. and the Petitioners Keele and Moseley profited from the manufacture of the accused infringing device by the Rilling-Arnao Company. The Petitioners could not make such a device themselves since (1) they are estopped to deny the validity of Respondents' patent and (2) the accused device is an infringement thereof. Of this there can be no dispute. (United States Appliance Corporation v. Beauty Shop Supply Co. Ltd., et al., 121 Fed. (2d) 149, certiorari denied, October Term, 1941, No. 632.) Therefore, the Petitioners should not be allowed to profit from the manufacture and sale of such a device by another and the award of their profits to Respondent is proper.**

**2. The Judgment of the District Court.**

The Judgment of the District Court (R. 179):

> 1. That the Plaintiff recover from the Defendants and/or either of them, the sum of $7591.64 with interest at the rate of six percent

per annum from the date of May 4, 1944, until paid.

2. That the Plaintiff recover from the Defendants and/or either of them the sum of $3994.49 with interest at the rate of six percent per annum from the date of 1944, until paid.

was based upon its undisputed Orders dated May 4, 1944 (as amended) (R. 166) and November 14, 1944 (R. 176):

1. That the Defendants' accountable infringement complained of consists of the Defendants' contacting the Rilling-Arnao Company, turning over certain information to the Rilling-Arnao Company, and licensing the Rilling-Arnao Company to manufacture the device complained of.

and

"That from November 1, 1942 to the date hereof, the Defendant Keelmo Company received royalties in the amount of $4,964.82 and the sum of $4,000.00 for the sale of license agreement between said Keelmo Company and the Rilling-Arnao Co. and the patents specified therein, both of which constitute accountable profits of the Keelmo Company."

**3. The Opinion of the Circuit Court of Appeals.**

The foregoing discussion of the Facts and Judgment shows that in reality the Circuit Court of Appeals, in affirming the Judgment of the District Court merely held that the Petitioners herein had to account for the profits which they had derived by virtue of

their having contacted the Rilling-Arnao Company, turned over certain information to the Rilling-Arnao Company, and licensed the Rilling-Arnao Company to manufacture the device complained of.

A review of the entire case and the relationship of the parties reveals that the decisions made in this case by the various courts and particularly the opinion rendered by the Circuit Court of Appeals and appealed from herein, are not as sinister as the Petitioners would have this Court believe.

The statement by the Circuit Court of Appeals, which is so happily seized upon by the Petitioners (that "the act of licensing Rilling-Arnao Company to manufacture and sell the infringing device was itself an act of infringement") should not be isolated but must be read in conjunction with the rest of the Opinion of the Circuit Court of Appeals and with an eye to the facts of the present case.

An analysis of the Opinion shows that the Court made a careful study of the facts and had them in mind when writing the Opinion. For example, the Court analyzed carefully all of the acts of the Petitioners. After stating that "the act of licensing Rilling-Arnao Company to manufacture and sell the infringing device was itself an act of infringement", the Court enlarged thereon and explained that "In that act, all the appellants—Keele, Moseley and Keelmo Company—participated; for, though not named as parties to the license agreement, Keele and Moseley caused the license to be made. Keele, acting for himself and Moseley, commenced the negotiations which

resulted in the agreement." Earlier the Court referred to the fact that Petitioner "Keele, acting for himself and Moseley, had an interview with Paul Rilling, president of Rilling-Arnao Company, showed Rilling the infringing device, showed him how it worked, and told him that he, Keele, had invented it." The Court found that " * * * Keele sought to, and did, interest Rilling-Arnao Company in obtaining a license to manufacture and sell the infringing device".

The Court further referred to the acts of Petitioners which led up to and resulted in the execution of the license agreement and said these acts "included the acts of making and using the infringing device".

In addition these acts must be deemed to have included "contacting the Rilling-Arnao Company and turning over certain information to the Rilling-Arnao Company as found by the District Court. (R. 167.)

It is absurd to believe that the "act of licensing" referred to by the Circuit Court in its opinion was meant to include only the act of signing a piece of paper. The signing of a piece of paper is but one of many steps including:

1. first making and using the infringing device.

2. showing the president of the prospective licensee the infringing device.

3. turning over certain information, including models and designs to the prospective licensee.

4. causing an exclusive license agreement to be made and signing a piece of paper and

5. profiting from the license agreement.

The "act of licensing" referred to by the Court, and so happily seized upon by the Petitioners, is in reality one transaction and it is this transaction, involving as it does all of the above single components which amounts to infringement. And especially is this true in the instant case when the Petitioners went so far; where in the words of the Petitioner Moseley (R. 40):

> "We selected the material, submitted it to Rilling-Arnao Company, and they made it in accord with the designs we submitted."
>
> ("We" in this instance being the Petitioners herein.)

and where, as Petitioner Moseley states (R. 39), Petitioners "submitted this model to Rilling-Arnao Company and they took our submitted models".

The foregoing analysis of the questions involved, the facts of the case and the Opinion of the Circuit Court of Appeals will, it is hoped, make the remainder of this Brief more easily followed and point out the fallacies of Petitioners' case.

---

### 3. THE QUESTION REALLY INVOLVED.

In reality, therefore, the question of patent law involved herein is:

Do the acts of:

1. making and using an infringing device
2. showing a prospective licensee the infringing device

3. turning over certain information, including models and designs of the infringing device

4. causing an exclusive license agreement with minimum royalty provisions to be made and

5. profiting from the license agreement,

taken together, amount to infringement of a third party's patent, for which the licensor is liable for any portion of the royalty received from his license.

**A. The Law of Infringement.**

The Petitioners would have this Court believe that the question to be decided by this Court is entirely new and novel and amounts to a startling development in and departure from conventional patent law.

It is respectfully submitted that, on the contrary, the matter raised in the Petition and in this Brief is merely a statement of the law as the same has existed since the case of *Toppan v. Tiffany Refrigerator Car Company,* 39 Fed. 480, which was decided in 1889. Surely the doctrine can not be said to be new. The doctrine is not an isolated one; as the Circuit Court of Appeals in its opinion pointed out the doctrine has been expressed and reaffirmed in the cases of *National Mechanical Directory Co. v. Polk,* 9 Cir., 121 F. 742; *Ruth v. Stearns-Roger Mfg. Co.,* D.C. Colo., 13 F. Supp. 697, 714, affirmed in *Stearns-Roger Mfg. Co. v. Ruth,* 10 Cir., 62 F. (2d) 442, and in the text books, particularly *Walker on Patents,* Deller's edition, Sec. 437, p. 1169. A doctrine which is found in the text books and which is clearly expressed in the case law

cannot be said to be novel. It will further be noted that the Petitioners are unable to allege or urge that this doctrine has been upset by any Court or that there are contrary decisions or contrary statements in the text books.

An analysis of the law relied upon may be helpful.

The Respondent's position is sound in law. For example, an examination of the case of *Toppan v. Tiffany Refrigerator Car Co.,* 39 Fed. 420, reveals that the only act of the defendant in that case was the selling of plans from which the ultimate user (of the plans) built the infringing device, and the District Court in that case determined that the making of the drawings and furnishing them to the ultimate user constituted an infringing act.

The device in the case at bar which was held to be an infringing device was a "Koolerwave" jacket made by the Rilling-Arnao Company, the licensee of Respondent, Keelmo Co. The Keelmo Co. submitted models and plans of the device, licensed its manufacture and sale and collected a royalty under the license. It should be noted that the *Toppan* case made no statement with respect to the alleged acts of infringement by any other party but merely found the Defendant guilty of infringement because he supplied plans, drawings, and specifications of the infringing device.

A second case is that of *National Mechanical Directory Co. et al. v. Polk et al.,* 121 Fed. 742, CCA 9. The facts of that case were as follows: One Maxwell was the inventor and the applicant for the patent under

which the infringing device was manufactured. He and other incorporated co-defendant National Mechanical Director Co. (called National) and by virtue of an agreement between Maxwell and National dated March 29, 1900, that corporation was licensed under his patent and that corporation returned a license to Maxwell to manufacture, use and sell the device in Southern California. Maxwell in that agreement agreed to commence operations within sixty days of April 1, 1900, and to have eight hundred mechanical directories in use and in operation in the City of Los Angeles within nine months of that date. On May 24, 1900, Maxwell entered into an agreement with the Los Angeles Modern Directory Company in which he sublicensed it coextensively with his license with the National Company, that is, he sublicensed it for the area of Southern California. The machine which was actually built and which was held to be an infringement was manufactured and placed in operation by the Los Angeles Modern Directory Company under its license from Maxwell.

All three of the defendants, Maxwell, the National Company, and the Los Angeles Company were enjoined. All three of these defendants were infringers. The facts show that Maxwell invented, licensed and received royalties and incorporated one of the other defendants. Maxwell agreed to have a number of these machines in operation within a short time after the execution of the first agreement. For that purpose he licensed the Los Angeles Company to do that work. There is no evidence that Maxwell as an individual

installed a single machine. Therefore (and incidentally this case cites with approval the case of *Toppan v. Tiffany,* previously cited herein) this Circuit Court held that the licensor who collects royalties and who also designs the infringing device is guilty of infringement and may be enjoined.

It should be pointed out that Maxwell did receive a royalty inasmuch as the case indicates that the Los Angeles corporation agreed to pay Maxwell ten per cent of the gross proceeds of the business up to a certain amount. The facts of this case show that Maxwell did not actually install or operate or manufacture any of the apparatus himself. He merely sublicensed the Los Angeles Company to do so and the Los Angeles Company built the one infringing machine. Maxwell did not build or use this machine but only licensed its manufacture and use.

The Petitioners urge that this Court exercise its discretionary power because the issues involved herein are of great moment to the public, that the public's interest in an alleged extension of the patent law should be considered, that the Circuit Court of Appeals has decided a question not previously decided by this Court and that the Circuit Court of Appeals has rendered a decision probably in conflict with earlier decisions of this Court. In support of their contention that the issue herein involved is of great public moment the Petitioners charge that the Circuit Court found "that the mere act of licensing" under a patent and the act of "selling a patent" in and of themselves constitute acts of infringement. As has been earlier

pointed out in this Brief both of these assumptions are false. The act of selling a patent in and of itself is not up for consideration at this time nor has it ever been involved in this case. The act of licensing under a patent as has previously been pointed out consists of more than the Petitioners would have this Court believe. An analysis of the cases on this point and of the findings and opinions discloses that the same are not novel and do not extend the law.

---

**4. THERE IS NO NEED FOR THE COURT TO REVIEW THE JUDGMENT INVOLVED.**

While it is true that the public's interest in any doctrine must be considered, it is respectfully submitted that there is no showing that the matters herein involved constitute such "extension of the patent monopoly" as Petitioners would have us believe.

While it is true that this Court has never decided the specific question herein raised no sufficient reason is evinced that the same need be settled by this Court at this time.

The Petitioners' suggestion that the Circuit Court of Appeals has rendered a decision probably in conflict with other decisions of this Court, is, it is respectfully submitted, incorrect. This Court, in the cases cited by Petitioners, did not have before it situations similar to those in the case at bar. The enunciations of the Court, therefore, are not in conflict with the law of this case inasmuch as the decisions rendered had nothing to do with the question here involved.

## CONCLUSION.

It is respectfully submitted that this Court should deny the Petitioners' Petition for Writ of Certiorari as the same does not advance questions requiring the exercise of this Court's discretionary power.

Dated, San Francisco, California,
July 3, 1946.

Respectfully submitted,
PHILIP HARPER ALLEN,
*Attorney for Respondent.*

PAUL D. FLEHR,
JOHN F. SWAIN,
*Of Counsel.*

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# In the Supreme Court
OF THE
# United States

OCTOBER TERM, 1946

**No. 164**

TOMLINSON I. MOSELEY, RALPH M. KEELE and KEELMO CO. (a corporation),
*Petitioners,*

vs.

UNITED STATES APPLIANCE CORPORATION,
*Respondent.*

## BRIEF FOR RESPONDENT IN REPLY TO MEMORANDUM OF UNITED STATES AS AMICUS CURIAE IN SUPPORT OF A PETITION FOR A WRIT OF CERTIORARI.

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PERNAU-WALSH PRINTING CO., SAN FRANCISCO, CALIFORNIA

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# In the Supreme Court
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No. 164

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vs.

UNITED STATES APPLIANCE CORPORATION,
*Respondent.*

## BRIEF FOR RESPONDENT IN REPLY TO MEMORANDUM OF UNITED STATES AS AMICUS CURIAE IN SUPPORT OF A PETITION FOR A WRIT OF CERTIORARI.

The Memorandum of the United States as Amicus Curiae is based upon the charge that the questions presented in the instant case are of public importance and were improperly decided by the Courts below.

Prior to determining whether the questions are of public importance or were improperly decided it is necessary to analyze the Government's Memorandum.

**HISTORY OF THIS CASE.**

The Government does not point out that this case was previously before this Court on Petition for Certiorari, in the October term, 1941 as *Tomlinson I. Moseley et al. vs. United States Appliance Corporation,* No. 632. That Petition for Certiorari argued that the decision entitled *United States Appliance Corporation vs. Beauty Shop Supply Co. Ltd., et al.,* 121 Fed. (2d) 149, was wrong. In that decision the Circuit Court had determined:

(1) That the Defendants (present petitioners) were estopped to deny the validity of the patent in suit, and

(2) That they were guilty of patent infringement and must respond to an accounting.

The Petition for Certiorari was denied on Nov. 10, 1941. 314 U. S. 680.

Since the denial of the Petition for Certiorari in 1941, the parties have been involved in the accounting proceedings which are the subject matter of the present Petition for Certiorari. Depositions were taken; hearings were held before a Special Master; hearings were held before the District Court; and the case was ultimately appealed by the present petitioners to the Circuit Court of Appeals for the Ninth Circuit, whose decision is reported in 155 Fed. (2d) 25. The only questions involved here are accounting questions.

**CONTENTION OF GOVERNMENT AS TO THE NATURE OF THIS LICENSE CONTRACT.**

The Government relies heavily upon its premises that:

> "Petitioners' grant of a license to Rilling-Arnao was no more than an agreement not to interfere with the licensee's use of the invention".

This premise is wholly false and unsubstantiated.

The entire license agreement between the petitioners and the Rilling-Arnao Company was never before this or any other Court although the Respondent has many times demanded its production. The only portions of the agreement which are before this Court or which have ever been before either the District Court, the Special Master, or the Circuit Court of Appeals are those portions found on Pages 121 to 124 of the Transcript of Record.

In view of the fact that the entire license agreement is not in the Record, it is respectfully submitted that it is impossible and improper for the Government to speculate as to what covenants it may contain, or to base any arguments upon what the Government believes may be its legal effect.

In spite of the fact that all of the details of the License Contract are not of record, the Government argues as follows:

> (1) "Petitioners' grant of a license to Rilling-Arnao was no more than an agreement not to interfere with the licensee's use of the invention".

(Note: From the record on hand it is logical to assume that the license agreement contained covenant upon covenant relating to the rights and obligations of the respective parties.)

(2) "The owner of the patent on the modification does not by granting a license on his patent in any way imply that a license is unnecessary on the basic device."

(3) "The license here merely authorized Rilling-Arnao to use the modifications of the devices under petitioners' patent and did not authorize the use of any device covered by patents owned by others."

(Note: There is no evidence concerning whether or not the terms of the contract specified the use of any particular device, but note that even the United States, upon the first page of its brief, acknowledges that "Petitioners also furnished Rilling-Arnao with models and designs of the device." The logical conclusion is that by this act the licensee *did* authorize the use of that type of device by Rilling-Arnao under the license. In addition it should be noted that the claims and specifications of the licensed patent applications clearly describe the device to be made pursuant thereto. (Defendants' Exhibit 9. See Tr. pp. 203-4.)

In its attempt to urge the above views upon this Court the Government relies upon *DeForest Co. v. United States,* 273 U. S. 236, 242; *United Shoe Ma-*

*chinery Corp. v. United States,* 258 U. S. 451, 463; and *Western Electric Co. v. Pacent Reproducer Corp.,* 42 F. (2d) 116 (C.C.A. 2). From these decisions the Government draws the novel conclusion that a license is *no more* than an agreement not to interfere with the licensee's use of the invention. It is respectfully submitted that these cases simply hold, in effect, that if a licensee be sued by his licensor he can escape liability to the patentee for the use of the patented invention by showing that the use is within his license, but if his use be one prohibited by the license, the latter is of no avail as a defense. In other words these cases *do not* hold that a license is only a waiver of the right to sue by the patentee; any license contract (and particularly an exclusive license as in the present case) more probably consists of a waiver of the right to sue *plus* any further conditions and covenants the parties may agree to. While the record is silent as to all of the other conditions and covenants, it is clear from the record that the contract authorized the Licensee, Rilling-Arnao Company, to manufacture, use and sell the infringing device to the exclusion of others (including the Licensor) and that minimum royalties were stipulated to induce manufacture and sale. It is therefore submitted that the general argument by the Government relative to the nature of a license is not applicable or relevant.

The Respondent, at an earlier stage in this case, requested that the license agreement between Petitioner and its licensee be introduced into and made a part of the record. However, Respondent's requests

were denied by the District Court. The Respondent has not injected the terms of the license agreement into this case since that time. However, the United States, in its Memorandum, makes a number of unproven general statements in its attempt to convince this Court that the present case is one in which broad principles of law may be set forth. It is Respondent's feeling that this is not such a case, but if this Honorable Court believes that the questions raised by the Government in its Memorandum require their consideration by this Honorable Court, the Court should have before it the entire license agreement between the Petitioner, Keelmo Co., and its licensee, Rilling-Arnao Company, dated February 25th, 1937. If this license agreement were before the Court many questions, including the following, could be answered.

1. Does the license agreement require the Petitioner, Keelmo Co., to defend its licensee against patent infringement suits and particularly against infringement suits brought by the Respondent or its affiliate?

2. Does the license agreement require that the licensee manufacture infringing devices according to Petitioner's specifications and models?

3. Does the license agreement require that the Petitioner refrain from making or selling any competitive apparatus?

If the first question is answered in the affirmative, it would indicate that the parties recognized and considered the Respondent's patents and the likelihood of infringement of the same.

In the event the answer to the second question is in the affirmative, it would confirm Moseley's testimony and show that the license agreement went beyond the scope claimed for it by the Government.

In the event the answer to the third question is in the affirmative, the Petitioner excluded itself from in any manner manufacturing and selling competing devices and restricted its acts to the acts complained of.

Respondent suggests that these questions are pertinent *and in all probability would have to be answered in the affirmative* upon examination of the license agreement. In the event this Court deems it advisable to have the license agreement before it, Respondent waives any right it may have to object or to prevent the Petitioners voluntarily producing the same or to this Honorable Court ordering its production. It is respectfully submitted that unless the entire agreement is before this Court, the Government's arguments must be ignored and the Petition for Certiorari be denied.

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### ACTS OF PETITIONERS WERE INFRINGING ACTS.

The Government, after considering in general the nature of license contracts concludes that—

> "These circumstances do not justify a charge of infringement against petitioners. Petitioners, in granting the license, did not in any sense make, use or vend the invention covered by respondent's patent without respondent's consent. Accordingly, the act of granting the license cannot constitute a direct infringement or an invasion of respondent's '* * * exclusive rights to make, use and vend

> * * *,' under R. S. 4884, 35 U.S.C. 40, the device covered by its patent."

The Government apparently assumes that the "act of granting the license" includes only the act of executing a document. The execution of a license agreement is but one of a series of acts which the Courts below have determined were done by the petitioners, including:

(1) First making and using the infringing device.

(2) Showing the President of the prospective licensee the infringing device.

(3) Turning over certain information, including models and designs to prospective licensees.

(4) Causing an exclusive license agreement to be made containing minimum royalty provisions, and

(5) Profiting from the license agreement

As has previously been pointed out by Respondent in the Brief for Respondent in Opposition of Petition for Writ of Certiorari, dated July 3, 1946 and previously filed with this Court, the question herein presented is not entirely new and does not amount to a radical development in and departure from conventional patent law. The earliest case on the subject is the case of *Toppan v. Tiffany Refrigerator Car Co.*, 39 Fed. 480, which was decided in 1889. The doctrine is re-expressed and re-affirmed in *National Mechanical Directory Co. v. Polk,* 121 Fed. 742; *Ruth v. Stearns Roger Mfg. Co.,* 13 Fed. Sup. 697, and *Walker on Patents, Deller's Edition,* Sec. 437, Page 1169.

The instant case does not come within the doctrine of the cases cited on page 3 of the Government's Memorandum.

In *George Close Co. v. Ideal Wrapping Machine Co.*, 29 Fed. (2d) 533, relied upon by Government, the Court had only to determine that actual construction and rebuilding of a machine amounted to an invasion of the patentee's rights.

In *New Wrinkle Inc. v. Fritz,* 30 Fed. Supp. 89, in which there was actual manufacture and sale by the defendant. The case does not hold that acts similar to those committed by Petitioners do not constitute manufacture, use or sale within the term of Section 4884. The case of *B. B. Chemical Co. v. Ellis,* 117 Fed. (2d) 829 affirmed 314 U.S. 495, is cited by the Government but here again the acts of the respective parties are not similar.

The Government states that the decision of the Lower Court can not be supported by the doctrine of contributory infringement, arguing that it is well settled that there can be no contributory infringement unless "there is a completed infringement to which a contribution can be made." The Government points out that the suit was dismissed as to a user of the infringing device on the ground that the respondent's patent was invalid, and from this draws the conclusion that there can be no finding of direct infringement.

It is respectfully submitted that the foregoing argument of the Government is fallacious. The Circuit Court in its first decision (121 Fed. (2d) 149) held

that in the absence of a showing with respect to agency, the party Beauty Shop Supply Co., Ltd. (a jobber) was not estopped to deny validity. The Rilling-Arnao Company, licensee of the petitioners and the manufacturer of the device found to infringe, is not a party to the suit. There is no way, other than conjecture, of determining whether or not the Rilling-Arnao Company may likewise be estopped to deny the validity of the patent in suit. However there was a manufacture and lease of the infringing device and, to this manufacture and lease, it must be agreed that the Petitioner's acts contributed. This matter is argued in Respondent's principal Brief herein.

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**DECISION NOT ADVERSE TO INTERESTS OF THE PUBLIC.**

The Government claims that the questions herein are of public importance. The Government claims that the decision extends the scope of a patentee's control and will seriously discourage the licensing of patents to the detriment of the public since, in the Government's opinion, one who licenses anyone except the holder of an overlapping patent, will be held liable as an infringer under the doctrine of this case. It is respectfully submitted that the present case is not a clear-cut determination of such a doctrine and that the facts of the case are not such that a clear-cut determination or doctrine may be evolved. In the first place the licensors made and used the infringing device, showed the device to the licensee and *turned over certain information including models and designs of the infringing device to the licensee.* They did more

than merely waive their right to sue. They showed the licensee the type of device which could be manufactured in accordance with their invention and, in fact, their licensed patent applications disclosed clearly the type of device to be manufactured. The contract which they negotiated with the Rilling-Arnao Company was an exclusive grant, whereby Petitioners by contract agreed to refrain from direct manufacture, use and sale. They assumed more responsibility than an ordinary licensor assumes when he merely waives his right of action under the law for damages and injunction.

The Government, in its footnote on page 4, alleges that there is nothing to indicate that the petitioners provided the licensee with any information that could not have been obtained by an examination of the patent disclosures. It is respectfully submitted that at the time the license was granted the patent disclosures were confidential documents in the Patent Office. All information which was obtained by the licensee was either confidential information exclusively in the hands of the licensors or was embodied in certain models and specifications turned over to the licensee. The Government's allegation that the mere showing of a modified device or furnishing information concerning it is not sufficient disclosure represents only the Government's viewpoint and is not a declaration of the law.

The Government states that many patentees are able to exploit their inventions only by licensing or selling their patents and that the instant decision would serve to seriously narrow the market for patents and would lead to a concentration of patents in the hands of

dominant patentees, thereby extending monopoly power and reducing the likelihood that a patent's validity will be challenged. It is respectfully submitted that, at best, this is but one side of the case. It is equally conceivable that a party, in an attempt to avoid damages (and the effects of estoppel as in this case) can by license agreement promote the manufacture and sale of a clearly infringing device through an impecunious dummy. In such instance the licensor could receive by way of royalties substantially all of the profits from the manufacture and sale and in no way be liable for the infringement. Such a situation is just as plausible and just as apt to occur as that described by the Government. In fact the instant case is just such a situation. The Petitioners are estopped by deed and conduct from infringing Respondent's patent and are presently under an injunction. To upset the present decision would be to allow the Petitioners to profit indirectly from acts which they are unable to do directly.

The Court does not have to deal in conjectures. Here is an actual case showing the equities of the situation and these equities are overwhelmingly in favor of Respondent.

It would appear that the decision below may mean that a patent's invalidity may be challenged more frequently since the number of parties from whom damages can be obtained may be increased.

The Government also charges that the decision below will be particularly serious in that it will mean that employees who customarily must assign their patent to their employers would often be precluded

from disposing of subsequent patent rights to anyone else even though they covered inventions made long after employment was terminated. It should be pointed out that if the inventions are made after employment terminates, it is probable that all contract rights between the parties have ceased. In addition such employees may insert in said employment contract a covenant whereby they may contest the validity and the scope of a patent in the same manner as any other party.

---

**CONCLUSION.**

It is respectfully submitted that this Court should deny the Petition for Certiorari.

The matters sought to be raised by the Government as *amicus curiae* relating to the terms of the license contract are not before this Court. To attempt to draw a broad doctrine from a decision based on such a record is at best a haphazard procedure and leads to uncertain results.

It is respectfully submitted that the fears of the United States are groundless in that the decision complained of will not extend the scope of control of patentees or discourage the licensing of patents to the detriment of the public.

It is respectfully submitted that the decision below would not seriously narrow the market for inventions and lead to an increasing concentration of patents.

It is respectfully submitted that the decision below will not reduce the likelihood that a patent's validity will be challenged.

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plans, and models, and other acts) is an ifications,
fringement. ct of in-

Dated, San Francisco, California,
October 16, 1946.

Respectfully submitted,
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# In the Supreme Court of the United States

OCTOBER TERM, 1946

No. 164

TOMLINSON I. MOSELEY, RALPH M. KEELE AND KEELMO CO. (A CORPORATION), PETITIONERS

*v.*

UNITED STATES APPLIANCE CORPORATION

**MEMORANDUM FOR THE UNITED STATES AS AMICUS CURIAE IN SUPPORT OF THE PETITION FOR A WRIT OF CERTIORARI**

The Government believes that this case presents questions of public importance which have not been decided by this Court and which were improperly decided herein by the court below. Accordingly, we urge that the petition for a writ of certiorari be granted.

The essential facts are as follows: Petitioner Keele invented and patented a hair-waving device, and assigned the patent to respondent. Thereafter, Keele invented a modification of the device and applied for a patent thereon. Prior to the issuance of the second patent, Keele, together with petitioners Moseley and Keelmo as co-owners of an interest in the modification, granted an exclusive license to the Rilling-Arnao



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Company to make and sell the modified device. In the course of the negotiations preceding the grant of the license, petitioners made some of the devices and showed them to Rilling-Arnao. Petitioners also furnished Rilling-Arnao with models and designs of the device. A patent on the modification was subsequently obtained.

Respondent brought suit for infringement of the first patent against petitioners and the Beauty Shop Supply Co., an authorized user of the modified device under the Rilling-Arnao license. The suit was dismissed as to the user on the grounds that the first patent was invalid. However, respondent was permitted, on an accounting, to recover from petitioners the sum of $12,186.13, approximately one-half the net profit received by petitioners under the license. The court below affirmed the recovery, holding that petitioners' act of licensing Rilling-Arnao was in itself an infringement of the first patent and, further, holding petitioners estopped to challenge the validity of the first patent ( R. 210, 213).[1] We submit that this decision was incorrect.

[1] The court below also held that petitioners' manufacture of the modified device for the purpose of the license negotiations constituted a direct infringement of respondent's patent (R. 213). Damages for this manufacture, if a direct infringement, would be negligible. The judgment below, affirming a recovery of one-half the net profits under the license, necessarily rests on its holding that petitioners' act of licensing was in itself an infringement.

Petitioners' grant of a license to Rilling-Arnao was no more than agreement not to interfere with the licensee's use of the invention. *DeForest Co.* v. *United States,* 273 U. S. 236, 242; *United Shoe Machinery Corp.* v. *United States,* 258 U. S. 451, 463; *Western Electric Co.* v. *Pacent Reproducer Corp.*, 42 F. 2d 116 (C. C. A. 2). Although respondent owned a patent on the basic device, petitioners owned a presumptively valid patent on the modification. A person seeking to use or make the device would need separate licenses from the owners of both patents, if they were both valid. The owner of the patent on the modification does not by granting a license on his patent in any way imply that a license is unnecessary on the basic device. The license here merely authorized Rilling-Arnao to use the modifications of the device under petitioners' patent and did not authorize the use of any device covered by patents owned by others. The licensee was free to decide whether either or both patents were of sufficient probable validity to warrant the payment of a royalty for their use. Rilling-Arnao apparently concluded (and properly) that respondent's patent was invalid and, accordingly, refused to pay toll under it. On the other hand, Rilling-Arnao apparently concluded that petitioners' patent was valid and agreed to pay royalties for the use of the modifications.

These circumstances do not justify a charge of infringement against petitioners. Petitioners, in granting the license, did not in any sense make, use or vend the invention covered by respondent's patent without respondent's consent. Accordingly, the act of granting the license cannot constitute a direct infringement or an invasion of respondent's "* * * exclusive right to make, use and vend * * *", under R. S. 4884, 35 U. S. C. 40, the device covered by its patent. *George Close Co.* v. *Ideal Wrapping Mach. Co.*, 29 F. 2d 533 (C. C. A. 1); *New Wrinkle Inc.* v. *Fritz*, 30 F. Supp. 89 (W. D. N. Y.); *B. B. Chemical Co.* v. *Ellis*, 117 F. 2d 829 (C. C. A. 1), affirmed, 314 U. S. 495.

Furthermore, the decision below on the issue of infringement cannot be supported by the doctrine of contributory infringement.[2] It is well settled that there can be no contributory infringement unless "there is a completed infringement to which a contribution can be made." *Sutton* v. *Gulf Smokeless Coal Co.*, 77 F 2d 439, 441 (C. C. A. 4); *Bullock Elec. & Mfg. Co.* v. *Westinghouse Co.*, 129 Fed. 105, 110–111 (C. C. A. 6); *Galvanizing Co.* v. *Marketing Tool and Mfg. Co.*, 26 F. 2d 593, 594 (C. C. A. 1); *Popular Mechanics Co.* v. *Brown*, 245 Fed. 859

[2] The court below did not refer to or rely upon that doctrine in its decision.

(C. C. A. 7); *Computing Scale Co.* v. *Toledo Computing Scale Co.*, 279 Fed. 648, 678 (C. C. A. 7); *Lincoln Engineering Co* v. *Stewart-Warner Corp.*, 91 F. 2d 757, 763–764 (C. C. A. 7), reversed on other grounds, 303 U. S. 545. Here, the suit was dismissed as to the user of the modified device on the ground that respondent's patent was invalid. Thus, the necessary finding of direct infringement is entirely lacking.[3]

As stated above, the Government considers the questions herein to be of public importance. The decision below unwarrantedly extends the scope of control and would seriously discourage the licensing of patents to the detriment of the public. Overlapping patents are very common. Where overlapping occurs, one who licensed anyone except the holder of the overlapping patent would be liable as an infringer under the doctrine applied by the court below. Many patentees are able to exploit their inventions only by licensing or selling their patents. The decision below would seriously narrow the market

[3] In any event, the acts of petitioners herein could not properly be considered as aiding or abetting an act of direct infringement, even if a direct infringement existed. The mere showing of the modified device or furnishing information concerning it is not sufficient. There is nothing to indicate that petitioners provided the licensee with any information that could not have been obtained by an examination of the patent disclosures. Nor, in view of the limited nature of a license, can the mere granting of the license herein be viewed as contributory infringement.

for their inventions and lead to an increasing concentration of patents in the hands of dominant patentees, thereby extending monopoly power and reducing the likelihood that a patent's validity will be challenged.

The decision below as to infringement becomes particularly objectionable when, as here, it is combined with the estoppel doctrine. The effect upon employees, who customarily must assign their patents to their employers, would be especially serious. It would mean that such employees would, as a practical matter, often be precluded from disposing of subsequent patent rights to anyone else, even though they covered inventions made long after employment was terminated.

This Court has recently adverted to the undesirability of a concentration of patents in the hands of dominant patentees. *Hartford Empire Co.* v. *United States,* 323 U. S. 386, 407. Further, the doctrines of estoppel and contributory infringement have been subject to question. *Scott Paper Co.* v. *Marcalus Co.,* 326 U. S. 249; *Sola Electric Co.* v. *Jefferson Electric Co.,* 317 U. S. 173; *Pope Mfg. Co.* v. *Gormully,* 144 U. S. 224; *Mercoid Corp.* v. *Mid-Continent Inv. Co.,* 320 U. S. 661; *Stokes & Smith Co.* v. *Transparent Wrap Mach. Corp.,* 156 F. 2d 198, 201 (C. C. A. 2); *Landis Machinery Co.* v. *Chaso Tool Co.,*

141 F. 2d 800, 801 (C. C. A. 6). The decision below gives new vitality to these doctrines.

In view of the above, the Government believes it desirable in the public interest that the petition for a writ of certiorari herein be granted.

J. HOWARD MCGRATH,
*Solicitor General.*

OCTOBER 1946.

U. S. GOVERNMENT PRINTING OFFICE: 1946

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# In the Supreme Court
OF THE
# United States

OCTOBER TERM, 1946

## No. 164

TOMLINSON I. MOSELEY, RALPH M. KEELE and KEELMO CO. (a corporation),
*Petitioners,*

vs.

UNITED STATES APPLIANCE CORPORATION,
*Respondent.*

**PETITION FOR REHEARING FOR A WRIT OF CERTIORARI to the United States Circuit Court of Appeals for the Ninth Circuit.**

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# In the Supreme Court
OF THE
# United States

OCTOBER TERM, 1946

No. 164

TOMLINSON I. MOSELEY, RALPH M. KEELE and KEELMO CO. (a corporation),
*Petitioners,*

vs.

UNITED STATES APPLIANCE CORPORATION,
*Respondent.*

**PETITION FOR REHEARING FOR A WRIT OF CERTIORARI to the United States Circuit Court of Appeals for the Ninth Circuit.**

*To the Honorable Fred M. Vinson, Chief Justice of the United States, and to the Honorable Associate Justices of the Supreme Court of the United States:*

Petitioners respectfully request reconsideration of their petition for a writ of certiorari to the United States Circuit Court of Appeals for the Ninth Circuit, which this Court denied on October 28, 1946.

**STATEMENT.**

This suit involved the alleged infringement by the three petitioners and another (a seller of the accused devices) of respondent's patent No. 1,984,585. The Circuit Court of Appeals (*United States Appliance Corporation v. Beauty Shop Supply Co., Inc., et al.*, 121 Fed. (2d) 149) held the respondent's said patent totally invalid on the ground that it was devoid of invention and dismissed the bill as to the seller of the accused devices, but held the patent valid (on the ground of estoppel) as to the petitioners in that one thereof (petitioner Keele) was the inventor named in respondent's said patent.

The act of infringement of petitioners upon which the money award was based *was not participation in the manufacture, sale or use of accused devices but the granting of a license to* the manufacturer (not sued by petitioner) of the accused devices under three patents (issued subsequent to respondent's patent) owned by petitioner Keelmo Co.[1]

In the language of the agreed facts on which the issue was submitted the tort consisted of (R. 120):

> "3. Defendants turned over to the Rilling-Arnao Company one complete set of jackets of the type held to infringe (Plaintiff's Exhibit 4-B), and a box of chemical cartridges and verbally informed a representative of the Rilling-Arnao Company of the results of their developments and demonstrated the use of the jackets and cartridges. * * *
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> 4. That subsequent to the turning over of the material (jackets and cartridges and information set out

[1]The device of respondent's patent in suit was a steam operated machine never commercially usuable, while the improvements of petitioners' machine was chemically energized and came into wide public use.

> in Paragraph 3 above) to the Rilling-Arnao Company, a license was granted by the Keelmo Company to the Rilling-Arnao Company, dated February 25, 1937, under its patents Nos. 2,187,473, 2,187,474 and 2,137,704, Defendants' Exhibits 19 and 20, and Plaintiff's Exhibit 25-P."

The Circuit Court of Appeals for the Ninth Circuit, in holding such act of licensing was an infringement, held (*Moseley et al. v. United States Appliance Corporation*, 155 Fed. (2d) 25):

> "The act of licensing Rilling-Arnao Company to manufacture and sell the infringing device was itself an act of infringement. In that act, all the appellants —Keele, Moseley and Keelmo Company—participated; for, though not named as parties to the license agreement, Keele and Moseley caused the agreement to be made."

By complete silence on the point, although specified as error (R. 188), the Circuit Court of Appeals also upheld the Lower Court's judgment awarding one-half of the sales price of petitioners' patents as damages *for the alleged act of infringement of merely selling the petitioners' patents.*

Thus, the legal question presented for decision by this Court is whether or not the making of a new invention and obtaining a patent thereon and then granting a license under such patent and selling such patent constitutes the tort of infringement, contributory or otherwise, of a prior patent despite the fact that such licensor and seller of the patents did not participate in the manufacture, use or sale of devices made by the licensee and had no control thereover.

**REASONS FOR REHEARING.**

1. This Court in *Mercoid Corporation v. Mid-Continent Inv. Co.*, 320 U. S. 661, 64 S. Ct. 268 at 273, substantially limited the doctrine of contributory infringement by narrowing it to acts which in and of themselves were infringements and which themselves invaded the rights of a patentee.[2]

To the contrary, the Circuit Court of Appeals in its instant decision by holding:

> "The act of licensing Rilling-Arnao Company to manufacture and sell the infringing device was itself an act of infringement."

substantially expanded the doctrine of contributory infringement even as it existed prior to the *Mercoid Case*, supra, and thus is in direct conflict with the decision of this Court in the *Mercoid Case* (supra) as to the metes and bounds of the doctrine of contributory infringement which should be settled by this Court in the public interest.

2. That subsequent to the filing of their original petition for writ of certiorari herein, petitioners have been advised by the Department of Justice of the United States that the question involved is of great importance to the public generally.

That the public generally has an interest is apparent in that should the decision be permitted to stand it would:

(a) enlarge the monopoly created by a patent beyond that provided for by Sec. 4884 R. S. (U.S.C.

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[2]This Court said in that case: "The result of this decision, together with those which have preceded it, is to limit substantially the doctrine of contributory infringement. What residuum may be left we need not stop to consider."

Title 35, Sec. 40)[3] in that it confers rights upon a patent owner to exclude others from lawful acts beyond the statutory exclusion of unauthorized acts to make, use and sell a patented invention;

(b) seriously deter patent owners from granting licenses under patents because it converts the lawful act of licensing into an actionable tort making the licensor liable to prior patentees for acts of a manufacturer in which acts the patent owner not only does not participate but has no control. Thus, the modern policy, for the economic betterment of the public, of encouraging universal licensing of patents to reduce concentration of patents in the hands of dominant patentees would be seriously impaired and impeded;

(c) enable the holder of a dominant patent to enjoin holders of subsequent patents from granting licenses.[4] In effect the instant holding of the Circuit Court of Appeals for the Ninth Circuit has, by tacking the questionable doctrine of estoppel[5] to the holding that an act of licensing under or sale of subsequent patents for valuable contributions is an act of infringement, enabled a holder of a totally invalid patent (invalid because totally devoid of invention over prior art and thus always in the public domain)

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[3]"Every patent shall contain • • • and a grant to the patentee, his heirs and assigns, for the term of seventeen years, of the exclusive right to make, use, and vend the invention or discovery • • •."

[4]U. S. Rev. St. Sec. 4921. A contributory infringer may be enjoined. *Lenk v. Hunt-Lasher Co.*, 14 Fed. (2d) 335; *Thomson-Houston v. Ohio Brass Co.*, 80 Fed. 712, 26 C.C.A. 107.

[5]Questioned by this Court in *Sola Electric Co. v. Jefferson Electric Co.*, 317 U. S. 173, 63 S. Ct. 172.

to exclude the public from the use and benefit of the improvement of such subsequent patents.

3. That because of the conflict between this Court's decision in the *Mercoid Case* (supra) substantially limiting the doctrine of contributory infringement, and that of the Circuit Court of Appeals in the instant case enlarging the doctrine of contributory infringement, this Court should, for the public benefit, settle the metes and bounds of contributory infringement.

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**CONCLUSION.**

It is, therefore, respectfully submitted that the petition for rehearing should be granted, that this Court's order of October 28, 1946, denying the writ should be vacated, and that the petition for a writ of certiorari should be granted.

Dated, San Francisco, California,
November 1, 1946.

Respectfully submitted,
WALTER SLACK,
*Attorney for Petitioners.*

OSCAR ALVIN MELLIN,
LEROY HANSCOM,
*Of Counsel.*

CERTIFICATE OF COUNSEL.

I, Walter Slack, attorney for petitioners, hereby certify that the foregoing petition for rehearing is presented in good faith and not for delay.

Dated, San Francisco, California,
November 1, 1946.

WALTER SLACK,
*Attorney for Petitioners.*